

1 that the Commission needs to discuss of a personnel
2 nature.

3 I would ask all reporters to please take
4 all bags and recording devices with you. We're going
5 to come back before lunch. Don't go far.

6 (Whereupon, the foregoing matter went off
7 the record at 11:18 a.m. and went back on
8 the record at 11:25 a.m.)

9 COMMISSIONER McCARTHY: Madam Chair, one
10 point of order. Now that we've adopted the rules,
11 should we not confirm the subcommittees that have been
12 created prior to this? Formally?

13 CHAIRPERSON JAMES: I think we can do
14 that, if that would be appropriate. We can make you
15 official.

16 COMMISSIONER McCARTHY: I would so move.

17 COMMISSIONER WILHELM: Leo does pretty
18 good when he's unofficial.

19 COMMISSIONER McCARTHY: I want him on the
20 record in an official capacity.

21 CHAIRPERSON JAMES: It has been moved.

22 UNIDENTIFIED: Second.

1 CHAIRPERSON JAMES: Second. All in favor?

2 (Chorus of ayes.)

3 COMMISSIONER McCARTHY: Are we still a
4 subcommittee or are we now a full committee?

5 CHAIRPERSON JAMES: You are a
6 subcommittee.

7 COMMISSIONER LANNI: I've lost that
8 battle. I know you're a committee, but I've lost that
9 battle a long time ago. It's going to be a
10 subcommittee of a Commission.

11 COMMISSIONER McCARTHY: Thank you. It's
12 good to feel legitimate.

13 CHAIRPERSON JAMES: We never thought of
14 you as illegitimate. Commissioner McCarthy.

15 COMMISSIONER McCARTHY: Thank you, Madam
16 Chair. Members of the Commission, I have before we
17 begin, a few words that were inadvertently left out --
18 and this is a clerical error -- left out of the
19 version you have in front of you. May I address that
20 first before I even begin my remarks?

21 Would you turn to page 4 of the
22 subcommittee recommendation? Two, Database on

1 Communities. The very first words should read, "The
2 subcommittee recommends that". And then please strike
3 the word "will". That's all there is to it. So that
4 it will now read, "The subcommittee recommends that
5 data be collected", etc. Is that clear with
6 everybody? Thank you.

7 I want to restate what the 3-membered
8 subcommittee on Research unanimously feels our
9 objectives are on this, and Dr. Dobson and Mr. Wilhelm
10 of course, as always should feel absolutely free to
11 amplify these thoughts.

12 What we're after here is our attempt to
13 provide thousands of leaders at every level, the
14 quality objective data about the social and economic
15 consequences of gambling as those leaders, in hundreds
16 of communities around the country, attempt to make
17 decisions to initiate, expand, or terminate gambling
18 in their communities.

19 We're also in pursuit of quality objective
20 data that can be made available to members of the
21 general public, that will empower them as individuals
22 in this nation, to be a part of the public dialogue

1 regarding the public decisions that could materially
2 affect the quality of their lives in their homes, in
3 their workplaces, in their communities.

4 The various components of the research
5 agenda that are before you as presented unanimously by
6 the Research Subcommittee after a good deal of hard
7 work by Dr. Peter Reuter, a principal research
8 consultant, supplemented very constructively by Dr.
9 Tim Kelly, the director of research on the Commission
10 staff, includes components that we see as interlinked
11 with each other.

12 So this is not a set of options we're
13 giving you. We can do this piece but we may not be
14 able to do that piece. Obviously we need funding for
15 this. This is a critical question yet to be fully
16 resolved, but we want you to look at these components
17 as all-important in our attempt to meet those
18 objectives that I just briefly outlined.

19 About providing the kind of research, I
20 might say, for the first time in this country,
21 particularly in view of the explosive growth of
22 gambling in America since our predecessor Commission

1 addressed this issue, we are attempting to produce
2 information and to do that you need to see these
3 different components as related to each other.

4 So while the national survey indeed by
5 itself, would provide a good deal of useful
6 information, it will be far more understandable by the
7 complementary database on communities' research that
8 we also urge you to adopt at this point.

9 I'm going to ask Dr. Reuter to outline the
10 proposal before us as we get into it. We sent a copy
11 of this to all of you about ten days ago, but I
12 appreciate you've had an opportunity to read it, but
13 I hope you have questions about it that we can try to
14 address.

15 And again, I invite Dr. Dobson and Mr.
16 Wilhelm to add comments at this point if they wish to,
17 and certainly during the discussion that we're about
18 to commence. All right, if not, could we call upon
19 Dr. Reuter, Madam Chair, and let him begin the
20 dialogue.

21 DR. REUTER: Thank you very much. I think
22 the principal research activities have been divided

1 into sort of four streams, and they in turn, reform to
2 two categories: one is concern with the effect of
3 gambling on individuals, and the other one is
4 concerned with the effect of gambling on communities.

5 And under individual we have, I think as
6 the principal activity -- something that Mr. McCarthy
7 has already referred to -- the National Survey of
8 Gambling Behavior, which is assigned with the extent
9 of gambling participation and characteristics of those
10 who gamble regularly, and will provide estimates also
11 of the prevalence of problem or pathological gambling.

12 To supplement that, there's also a set of
13 research activities concerned specifically with the
14 problem of pathological gambling; the centerpiece of
15 which is the project being carried out by the National
16 Research Council which we propose to supplement with
17 some additional data collection activities.

18 At the community level, the subcommittee
19 proposes to create a community-level database which
20 would allow the description of what is actually
21 happening in communities that have casinos and other
22 kinds of gambling, as compared to those that do not.

1 And also, a line of work concerned with estimation of
2 the economic impact, particularly focused on the
3 issues of substitution between gambling expenditures
4 and others.

5 What I'd like to do now is just briefly go
6 through each of those four major lines of research.

7 CHAIRPERSON JAMES: Professor Reuter?

8 DR. REUTER: Yes.

9 CHAIRPERSON JAMES: Before you continue,
10 I am remiss. I meant to stop right after that to
11 introduce Nancy as she came into the room, and I just
12 wanted to let commissioners know who that was that had
13 joined us at the table and just to give her a minute
14 to say anything she wants to say to the Commission at
15 this point. And then we will get into those four
16 areas.

17 MS. KENNEDY: Thank you very much. I just
18 asked Kay to give me a moment to thank the members of
19 the Commission for their trust in me on my past
20 performance, and to say that it does us all good every
21 seven or eight years to have a unanimous vote. Thank
22 you.

1 DR. REUTER: The first component is a
2 survey of gambling behavior. There is one prior
3 survey which was done by the 1976 Commission for which
4 I served as research director, and it has been a
5 survey that has been widely cited.

6 It provided the first, and still only
7 estimate, of the prevalence of pathological gambling -
8 - which then was estimated at about .7 percent -- much
9 higher for males than for females, and much higher for
10 Nevada, even if you excluded people who moved to
11 Nevada for the gambling.

12 And it showed that gambling expenditures
13 back then were concentrated amongst lower-income
14 groups -- or at least that taxation on gambling was
15 substantially regressive. That is over 20 years ago
16 and much has changed. I looked at the figures and at
17 that stage, in 1975 when the actual survey was done,
18 total expenditures on legal gambling were about three-
19 and-a-half billion as compared to something like 40
20 billion in 1996.

21 This is the only means that we have of
22 describing in a systematic way, who gambles, how it

1 varies by age, sex and race, by income group, etc.,
2 and it is essential to any discussion -- or who is
3 affected by expansion and access to gambling. In that
4 connection I think it is important to try to
5 incorporate in the surveys some supplements that could
6 measure the effect of increased access.

7 In the 1976 survey there was a special
8 sample in Nevada of about 300 persons. Now of course,
9 there's a much wider range of communities from which
10 one would like to do some sampling, and it may be
11 possible to also do some supplemental sampling that's
12 focused on frequent gamblers -- that is a serious
13 problem -- and then developing a sampling frame that
14 allows you to get from that to estimates of the
15 prevalence of frequent gamblers. But I think they're
16 very useful for purposes of describing characteristics
17 of frequent gamblers and problem gamblers.

18 There are some major technical issues that
19 need to be resolved and which I do not believe we can
20 at this stage, provide the -- I or Dr. Kelly can yet
21 provide a great deal of guidance to the Commission.

22 One is the issue of phone interviews

1 versus in-person interviews. In 1976 the survey was
2 done in-person and there were good reasons for doing
3 it then. Since then, telephone survey methodology is
4 much improved -- we have computer-assisted telephone
5 interviewing -- but there are a whole range of
6 considerations.

7 How sensitive are questions about gambling
8 behavior which affect how credible the information is
9 that you get from telephone interviews. How much does
10 one -- how long an interview is needed -- and one has
11 to pay attention to the share of household that are
12 without telephones.

13 For example, in Mississippi, which is a
14 state of particular interest for those concerned with
15 gambling, about 14 percent of residents live in
16 households without phones. It varies a great deal by
17 state -- I only learned this recently. In the state
18 of Washington only one percent of persons are without
19 telephone.

20 The cost implications of telephone versus
21 in-person interview are very substantial but it is
22 possible there's a mixed mold; that is, that there

1 would be some telephone interviews supplemented by
2 targeted, in-person surveys in some communities aimed
3 at some populations.

4 Let me turn now to the issue of the
5 community database which I think may be the other
6 largest, single activity. A lot of the debate about
7 the effect of, certainly of casinos, has been about
8 how communities which have introduced these casinos,
9 have been affected by them.

10 And the only way that one can get
11 objective information here is to get a large sample --
12 data on a large sample of communities, including
13 casino communities, communities with various levels of
14 access to gambling, and look at how their economic and
15 social situations have changed. It's necessary to
16 cover a large number of years so you can see how that
17 community was changing prior to the introduction of
18 gambling and how it changed afterwards.

19 It's a problem that there are not a lot of
20 communities outside of Atlantic City or Nevada in
21 which there has been a long experience with
22 substantial casino activity, but the database should

1 certainly encompass all those that are available.

2 The data are generally government
3 statistics but that doesn't mean that they're easily
4 obtained; frequently not available essentially at the
5 national level. And that makes this a substantial
6 activity to create this database, which the
7 subcommittee suggested should be supplemented with
8 intensive case studies.

9 Where you gather data for example, from
10 interviews with community members about specific
11 issues such as impact -- how welfare workers see their
12 caseloads as having been affected by gambling -- not
13 simply the numbers but the characteristics of the
14 caselog.

15 This database offers the possibility of
16 many kinds of analysis. I believe that the most
17 important analysis is simply going to be descriptive;
18 that is, comparing how these communities have fared
19 with different levels of gambling with other
20 communities.

21 There may be causal analysis that one can
22 do of a more sophisticated nature, but it's very

1 difficult to explain a lot of these outcomes like
2 bankruptcy or divorce rates or suicide rates, and it
3 would be unclear how easily one would be able to pick
4 out specifically, the effect of gambling. But clearly
5 that should be attempted.

6 With respect to pathological gambling
7 which Dr. Kelly is much better situated to talk about,
8 the principal research activity will be the National
9 Research Council review. And I believe there's been
10 prior discussion of this and do not believe it would
11 be appropriate to add to that.

12 In reviewing what the NRC proposes and the
13 other kinds of -- the other research activities that
14 the subcommittee recommended -- it was possible that
15 the Commission might collect additional data, but at
16 this stage we're not entirely sure as to what are the
17 appropriate, additional data collection activities
18 that should be done regarding pathological gambling.

19 The final one of the four categories
20 concerns economic modeling; of the impact of gambling
21 in particular casinos. There are many existing
22 studies which have been developed in the context of

1 specific proposals for casinos. There's a need to
2 synthesize those. Many of them are quite well
3 documented and the data are fairly transparent.

4 It is -- and I venture here a semi-
5 professional opinion as an economist -- that this is
6 primarily a conceptual issue and it's not clear that
7 there needs to be a major, original research activity.

8 However, the subcommittee recommended that
9 the initial activity be a review of the existing
10 studies by regional development economists of some
11 stature who had not previously been involved in this
12 area, to clarify in particular, the extent to which
13 the substitution and multiplier issues which are
14 critical here, need to be amplified by additional
15 research.

16 There are a number of other topics that
17 the subcommittee have proposed to cover, albeit more
18 briefly. For example, Internet gambling -- which is
19 mentioned in the Commission's statute -- should
20 certainly be looked at. However, it's very new and
21 very ill-defined and changing.

22 It's hard to do systematic research on

1 such an elusive phenomenon. Which isn't to say that
2 nothing should be done, but it probably could at this
3 stage, be a fairly modest activity.

4 There may be work that could be done on
5 the effect of lottery promotion activities which is
6 again, also mentioned in the -- advertising activities
7 mentioned in the statute. It may require very detailed
8 data to make large advances, but perhaps it's possible
9 to draw an analysis of promotional activities related
10 to cigarettes and alcohol which have been extensively
11 studied.

12 There are a number of topics that one
13 could put on an agenda that have been omitted. Some
14 of them perhaps, because of questions about whether
15 they're researchable. For example, the impact of
16 legal gambling on savings rates at the national level
17 -- a very interesting question. I'm not clear how one
18 does research about it.

19 Other topics may require simply more time
20 and money than the Commission has available; for
21 example, the effectiveness of different enforcement
22 methods aimed at reducing juvenile gambling.

1 When the Commission has decided on its
2 research agenda, Dr. Kelly and I propose that the next
3 step is to try to develop some relationships with
4 other Federal agencies that may be interested in co-
5 funding research related to gambling. And I've
6 already identified a number of agencies that I believe
7 would be so interested.

8 And then we'll be preparing Requests for
9 Proposals, perhaps using short-term, specialized
10 consultants in that process, and then work with the
11 Commission on selecting contractors and commissioning
12 smaller synthesis.

13 Thank you.

14 COMMISSIONER McCARTHY: Madam Chairman, I
15 ask if Dr. Kelly has any comments he'd like to make at
16 this time?

17 DR. KELLY: Yes, I do. I would just call
18 the Commissioner's attention to the section on problem
19 and pathological gambling just to make sure that --

20 COMMISSIONER McCARTHY: Could you turn up
21 that mike a little bit?

22 DR. KELLY: I'm sorry, it's just not

1 coming through? Okay. I just thought I would call
2 the Commissioner's attention to page 7, item 4,
3 Problem in Pathological Gambling, because there's been
4 so much discussion of this particular topic area, and
5 I think it's fair to say that the Research
6 Subcommittee and we have worked long and hard on this
7 -- together with NRC, the National Research Council.
8 And by the way, we do have representatives here from
9 NRC to answer any questions that the commissioners
10 might have on this.

11 I just wanted to point out the structure
12 of this particular section. If you'll notice after
13 the introductory paragraph, on the next page, page 8,
14 there are two lines of concerns that are set out for
15 you.

16 On the left-hand side, on page 8, it says,
17 "NGISC Research Subcommittee Question Sets", and on
18 the right-hand side, "Corresponding NRC Proposal".
19 And that refers to the two attachments at the end of
20 this document.

21 I believe the document is numbered to page
22 12, but then after page 12 you have two attachments:

1 Attachment A which was the set of questions that the
2 Research Subcommittee generated to be addressed in
3 this topic area, and then Attachment B which is the
4 focus of the NRC work that has been proposed to
5 address that same area of concern.

6 So what you have then on page 8 is a
7 comparison of the two to make clear where they line
8 up, where they match up, or where they don't. I just
9 wanted to point that out because I think there's been
10 a little confusion, I know from talking with some of
11 you, on what this is about.

12 Furthermore, after comparing those two and
13 making sure we've addressed all the areas of interest
14 to the commissioners, notice the final paragraph on
15 this section, on page 9. The final paragraph from
16 this section starts at the -- it's the first full
17 paragraph on page 9. And let me just focus in on that
18 for a brief moment if I could because I think it's
19 very important.

20 "The work of the NRC will be augmented by
21 the National Survey of Gambling Behavior described
22 above." In other words, the survey itself is also

1 very relevant to some of the questions in this topic
2 area; that is, the area of problem and pathological
3 gambling.

4 So even though the NRC is going to address
5 this in terms of what the current literature says, the
6 National Survey will really be the main feature for
7 addressing questions for instance, as to what is the
8 prevalence ratio of problem and pathological gambling.
9 So the survey itself will be a part of this work -- or
10 as we put it here, this should substantially
11 strengthen the estimates of the prevalence of this
12 problem behavior.

13 Then in addition, "A targeted survey of
14 gamblers exiting gambling locations, may be considered
15 as a secondary research initiative in order to provide
16 a snapshot of percentage of problem and pathological
17 gamblers" -- that's what the "PP" stands for --
18 "problem and pathological gamblers at various
19 locations, and help development of estimates of
20 revenue that they generated.

21 "Also, invited testimony and/or focus
22 group data from PP Gamblers and treatment may be

1 considered as a secondary research initiative to help
2 the Commission understand the personal costs and
3 experience of problem and pathological gambling."

4 Let me say a little something about what
5 is meant by talking about primary versus secondary
6 research, and it goes something like this. I think,
7 as we have delved into this, that there is a current
8 level of understanding of gambling issues -- whether
9 economic or social, or literature out there on
10 economic and social aspects of gambling -- that we
11 want to get a handle on.

12 And as actually, Commissioner Loescher has
13 made clear to us just recently, it's important to note
14 that what we're talking about here is, first of all,
15 getting a handle on what is known -- what is known
16 through the current literature -- and then coming back
17 to the table and deciding: what are the gaps, what is
18 not known, what do we need to do to flesh out the
19 current body of knowledge that's available to answer
20 some of the basic questions that the Commission is
21 charged with answering?

22 So what we intend to do -- and it doesn't

1 show up too clearly in this document -- is of course,
2 have a timed sequence to this to where we will try to
3 get our hands on a sort of a baseline understanding of
4 what the current understanding is for economic and
5 social impact of gambling. And then come back to the
6 table and ask any secondary questions that we might
7 have.

8 And that is what is reflected, if you turn
9 to the last numbered page of this document, page 12,
10 you'll notice that there's mention made there of both
11 primary research initiatives and potential secondary
12 research initiatives. I just wanted to highlight that
13 because I know there's been some confusion as regards
14 the timing of some of these research initiatives that
15 we have proposed.

16 And I will stop there, Madam Chair.

17 CHAIRPERSON JAMES: Did you have something
18 --

19 COMMISSIONER McCARTHY: Mr. Wilhelm or Dr.
20 Dobson have any thoughts they want to add?

21 CHAIRPERSON JAMES: I'd like to recognize
22 Mr. Wilhelm.

1 COMMISSIONER WILHELM: Yes. Thank you.
2 First I'd like to, as a member of this subcommittee,
3 express my appreciation to Leo whose long experience
4 has made him into an unusually effective Chair, and I
5 appreciate that as I'm sure Jim does as well. And
6 also to Dr. Reuter and Dr. Kelly, who I think have
7 done a superb job on a pretty tight timeline.

8 In my professional capacity I have been
9 involved from time to time in supporting proposals for
10 new gambling initiatives and also in opposing
11 proposals for new gambling initiatives.

12 And it has been my observation and I think
13 many people would agree with this, that the quality of
14 information that is put forward during those kinds of
15 debates -- whether they're legislative debates or
16 initiatives or whatever -- the quality is sometimes
17 very good and it ranges all the way over to complete
18 trash. And I say that about both advocates and
19 opponents.

20 But regardless of its objective quality,
21 virtually all of it is suspect in the eyes of some or
22 many, because -- simply because of its source or

1 sponsorships. So I would agree with Leo McCarthy's
2 opening comments that -- which echoed the Chair's
3 comments -- that it would be a tremendous service to
4 provide actual information that both policymakers and
5 citizens could rely upon.

6 I know that in the deliberations of the
7 subcommittee it has been a bitter pill to realize that
8 neither money nor time permits the exploration of
9 anywhere near all of the important and relevant issues
10 that the Commission, as well as I'm sure the public,
11 would like for us to explore. But that is the clear
12 reality: neither money nor time permits that.

13 If the exploration of possible co-funding
14 from other government agencies that Dr. Reuter
15 referred to can be pursued, perhaps there will be more
16 money. I know that there's also the pursuit of a
17 possible, additional appropriation from the Congress.

18 I for one would be -- I've learned never
19 to say never -- but at least if I look at the world
20 today, I for one would be very much opposed to an
21 extension of time for this Commission -- not that I
22 don't enjoy every minute of it.

1 But the reality is that we're not going to
2 be able to study all of the things that could
3 meritoriously be studied. So I would like to say just
4 for myself -- and this is reflected in the
5 subcommittee's report, which was as the subcommittee
6 chairman pointed out, supported by the whole
7 subcommittee.

8 To say that the work of the National
9 Research Council, the National Gambling Prevalence
10 Study -- which I received a strong endorsement from a
11 representative of the anti-gambling coalition during
12 the public comment portion of our last research
13 committee meeting -- the target of the studies, the
14 case studies, and the creation of the database, those
15 items -- the NRC study, the National Prevalence Study,
16 the case studies and the database that are referred to
17 in the subcommittee report -- I think taken together
18 would be enormously forward in terms of the provision
19 of solid information or information that is as solid
20 as it can be.

21 And so, my sense of the priorities is that
22 those particular things should be focused upon and I

1 believe that's what the report says. From the point
2 of view of my particular interest in the economic
3 impact of the various forms of gambling, I think the
4 suggestion by Dr. Reuter and Dr. Kelly to start a
5 piece of that by having a reputable, not yet bought
6 and paid for person, try to synthesize what is there,
7 is a superb idea. I think it would give us a much
8 better handle on where else to go on that issue.

9 I observed at the most recent Research
10 Subcommittee meeting and I want to observe again, that
11 I think that the -- again, in the context that we
12 can't study all the things that ought meritoriously to
13 be studied -- I think we ought to give serious
14 consideration, if I understand what the Congress is
15 doing correctly, to abandoning any effort on the part
16 of this Commission to look at the issue of
17 bankruptcies as related to gambling.

18 And the reason that I say that is because
19 I am advised that the Congress is about to instruct
20 the United States Department of the Treasury to spend
21 \$200,000 doing exactly the same thing. And given the
22 scarcity of resources I personally would suggest --

1 and this suggestion is not part of the subcommittee
2 report; I want to be clear -- that we ought to forget
3 about that issue. Because Congress in its wisdom,
4 after having told us to do it, has now told somebody
5 else to do it. So I figure sort of, whatever they
6 said last probably counts.

7 And finally, I'd like to comment on an
8 issue which is addressed and in my view, is adequately
9 addressed in the subcommittee report. And it's
10 addressed beginning on the bottom of page 3.

11 The language in the report that I want to
12 comment on says, "The subcommittee recommends
13 obtaining casino industry data relating to betting
14 patterns, including heavy betting patterns, the
15 demographics of casino customers in general, and
16 advertising studies and techniques. The subcommittee
17 recognizes that certain privacy concerns of
18 individuals must be respected".

19 We had a discussion of the issue of
20 personal privacy and governmental intrusion into
21 personal privacy during the Research Subcommittee, and
22 it was clear to me -- at least at that time and so far

1 as I know, it remains clear -- that the subcommittee
2 had a unified position on this.

3 And the only reason I'm raising this is
4 because this language, the language of those two
5 sentences went through a variety of permutations and
6 editings and re-editings, the purpose of which was
7 obscure to me. Again, I'm not unhappy with the
8 language, nor am I proposing to amend it, but I do
9 want to stress that in my view, and at least as of the
10 last subcommittee meeting, the subcommittee as a whole
11 concurred with this.

12 While I have no objection whatsoever to
13 studying, as this language indicates, betting patterns
14 and things like that. And in fact, I have supported
15 each and every one of the aspects of the research
16 committee's compilation of questions to be studied
17 that Dr. Dobson has proposed in the area of problem
18 and pathological gambling. I think they're all
19 legitimate and important areas of study.

20 Nevertheless, it is my very strong belief
21 that no Federal -- or no governmental agency including
22 this one, other than a law enforcement agency

1 investigating crimes; that's obviously not what we are
2 -- I don't think any government agency including this
3 one, has any business of any kind whatsoever,
4 inquiring into any particular individual or asking for
5 the names of any individuals or sending researchers or
6 staff members or anybody else, in person or by mail or
7 by phone or in any other fashion, intruding on the
8 privacy of, or attempting to obtain the names of
9 individuals.

10 I think that would be completely and
11 totally inappropriate. I believe the subcommittee has
12 agreed on that. I want to stress that because while
13 I support, as I've said, studying these issues of
14 problem and pathological gambling including betting
15 patterns, I think it would be the worst of Big
16 Brotherism for this agency as a government agency, to
17 get into obtaining in any way, shape, or form, or
18 pursuing in any way, shape, or form, individual
19 people.

20 And again, I want to express my
21 appreciation to Jim and particularly to Leo as the
22 chair and to our two experts, for what I think is

1 excellent work they've done.

2 CHAIRPERSON JAMES: The chair recognizes
3 Dr. Dobson.

4 COMMISSIONER DOBSON: Madam Chairman, I
5 agree with everything, essentially, that Commissioner
6 Wilhelm just said. I particularly commend Dr. Reuter,
7 Dr. Kelly, and the chairman of the subcommittee, Leo
8 McCarthy, for the work they've done. I would not have
9 believed it would have been possible to be at this
10 point this quickly. It is through their skill that we
11 have gotten to that place.

12 I'm also in agreement with the entire
13 proposal; have no objections. In fact, I think all
14 three of us have been in concurrence on everything
15 suggested, including the comment about the
16 confidentiality of individuals who are involved in the
17 legal activity gambling. And so I don't think there's
18 any conflict there.

19 My only concern is the one that I
20 expressed at the last meeting, and I express it again
21 this time even though I think I'm pretty much a lone
22 wolf on this subject. But I'm extremely concerned

1 about the financial side of this thing. There is not
2 the money there to do what we are proposing.

3 We have \$1.2 million allocated for
4 research; 49 percent of which has been allocated by
5 our vote which I lost 8:1, to spend \$620,000 with the
6 NRC in essentially a review of the literature.

7 As comprehensive as that is, that I
8 thought was a mistake then before we even knew what
9 the total budget was going to be, and it seems to me
10 to be -- my concern seems to be validated now because
11 we're proposing a lot of stuff and almost no provision
12 of which is going to be done for us at \$600,000.

13 I understand there's a possibility of
14 Congress giving us additional money. Being able to
15 implement what we have suggested is absolutely
16 dependent upon that. But again, I think it's a
17 proposal that will help answer some questions for
18 which there is no information -- there's very little
19 information to this point. I think it would be very
20 useful and I'm pleased to have my name attached to it.

21 CHAIRPERSON JAMES: Thank you.

22 COMMISSIONER McCARTHY: May I just comment

1 briefly on two points? One, regarding the bankruptcy
2 study. What I'd like to recommend at this point is
3 that we allow Drs. Reuter and Kelly to meet with
4 whoever Treasury has assigned this responsibility and
5 find out what they really are going to cover, and see
6 if there's a way we can make sure the ground is
7 covered; that they're going to cover it in a way that
8 relates to our overall objectives. That's fine, but
9 let's see if we can do that coordination.

10 I think your main objective, John, was to
11 avoid duplication. I think we all agree to that, and
12 with that one bit of flexibility, if we can approach
13 it in that manner I would appreciate it very much.

14 COMMISSIONER WILHELM: I think you covered
15 that; certainly.

16 COMMISSIONER McCARTHY: The other point
17 raised, Madam Chair and members of the Commission, by
18 Dr. Dobson regarding additional money is that I think
19 we should see how the members of the Commission feel
20 about this proposal; then I would like to get back to
21 a discussion of whether we do anything with Congress,
22 or how we go about doing that.

1 But I'd like to find out how much support
2 there is on the full Commission to do that, after we
3 have a discussion on the substantive issues before us.
4 So if we could defer my comments on that for now.

5 CHAIRPERSON JAMES: Certainly.
6 Commissioner Loescher.

7 COMMISSIONER LOESCHER: Yes, Madam
8 Chairman, I would be appreciative of the committee and
9 our advisors and staff if they could explain to me an
10 additional point which would have a bearing on my
11 thinking about this research and report writing, data
12 gathering exercise.

13 I'd like to know about the ACIR -- their
14 relationship, their proposal -- and how all that fits
15 in with this approach.

16 COMMISSIONER MCCARTHY: I think we're at
17 the point now, if I may respond, Mr. Loescher, where
18 we can make that decision. Because the next step --
19 if the Commission approves what is before them now the
20 next step is to begin project design, try to more
21 precisely formulate budget requirements for each of
22 these areas that are a part of this proposal before

1 you, and ACIR would fit into that picture, as well as
2 other research organizations, or individual
3 researchers that we would attempt to identify to see
4 how this comes together at this point.

5 CHAIRPERSON JAMES: I would also like to
6 add at that point, that later in our deliberations
7 when we talked about the workplan, I wanted to make
8 the suggestion that it was exceedingly difficult to
9 move forward in any direction with that, in any way
10 with that, because we do need to bring to closure and
11 have a vote on the Research Subcommittee's report.

12 And you know, it's almost like which comes
13 first, the chicken or the egg, and I do believe that
14 the Commission needs to make some commitments about
15 that and make some determinations about where we go,
16 and that will tremendously impact the rest of the work
17 for this Commission.

18 So I concur with what you're saying.

19 COMMISSIONER LOESCHER: Madam Chairman?

20 CHAIRPERSON JAMES: Commissioner Loescher.

21 COMMISSIONER LOESCHER: If I could just
22 follow up on that -- I give deference. Mr. Bible, do

1 you want to --

2 COMMISSIONER BIBLE: I assumed, Madam
3 Chairman, that procedurally the next step is the
4 Research Subcommittee was going to explore the cost
5 option of these various alternatives and put a price
6 tag to the various elements of data gathering, then
7 would bring it back to the Commission --

8 CHAIRPERSON JAMES: Right.

9 COMMISSIONER BIBLE: -- and then we do
10 what Dr. Dobson has suggested, and maybe take a look
11 at those items that we assign higher priority and
12 those that have a lesser priority would kind of fall
13 by the board.

14 CHAIRPERSON JAMES: That's correct.

15 COMMISSIONER BIBLE: So you know, that's
16 the process that's --

17 COMMISSIONER McCARTHY: Mr. Bible is
18 correct and that's what I set out in the October 8th
19 memo that was sent on behalf of the subcommittee to
20 all members of the Commission.

21 CHAIRPERSON JAMES: At this point I'd like
22 to open it up for discussion on the presentation that

1 has just been made. Are there questions of the
2 Research Subcommittee, concerns, additions, deletions?
3 Are there any gaps here?

4 I'd like to add my voice to those who have
5 already said what a fantastic job I think they have
6 done. It has been an absolute pleasure to work with
7 the subcommittee.

8 They have put in -- for the benefit of
9 those who have not had the opportunity to watch this
10 up close as I have -- the amount of hours and time
11 that have been put in to get us to this point are
12 extraordinary, and I think that that subcommittee had
13 a variety of views and opinions represented there and
14 I think it speaks well of the chair and the
15 subcommittee itself to get us to the point where we
16 have a unanimous recommendation from the subcommittee
17 before the full committee today for a research agenda.
18 And I just want to add my voice of thanks to the rest
19 of those who have expressed that.

20 But it is appropriate at this time, after
21 hopefully you've had a chance to review this, for any
22 additional questions, concerns, comments. This is the

1 time.

2 COMMISSIONER LOESCHER: Madam Chairman.

3 CHAIRPERSON JAMES: Commissioner Loescher.

4 COMMISSIONER LOESCHER: I have a number of
5 comments about the committee's report and the
6 presentation. I was looking at page 1 in the
7 introduction, the last sentence. And maybe it's just
8 a matter of how you use words or what you're trying to
9 emphasize, but the sentence reads, "Casino gaming,
10 both commercial and tribal, gets more attention than
11 other forms of gambling, but no legal form is
12 neglected".

13 You know, and I have a hard time with that
14 idea. We're charged to look at all gambling in
15 America and we have to have a strategy to write a
16 report, to develop data and supplement that
17 information where we're short, to cover State
18 lotteries, cardroom gambling, charitable gaming, pari-
19 mutuel gambling, electronic gambling, riverboats and
20 casinos.

21 And I'm troubled that the committee and
22 the staff is so focused on casino gambling. I want to

1 look at it all, and I want to have equal emphasis on
2 it all. But certainly from the outset in the
3 introduction, it doesn't appear that that emphasis of
4 getting to all of it is going to be accomplished.

5 And I would like to ask the committee if
6 you have any comments about my perception?

7 CHAIRPERSON JAMES: Commissioner Wilhelm.

8 COMMISSIONER WILHELM: In the
9 deliberations of the subcommittee, Leo and Jim are
10 aware that I have expressed a similar concern. I
11 believe that this Commission wouldn't exist but for
12 the spread of a variety of forms of gambling that has
13 accelerated so much in recent years. Some of that is
14 casino gambling but there's a great deal of other
15 forms of gambling proliferating.

16 As a native of the State of Virginia who
17 hasn't lived here in some decades, I'm stunned when I
18 drive down the road on the way to the hotel this
19 morning and hear the rock solid, conservative State of
20 Virginia bombarding me every 12 seconds on the radio
21 with entreaties to buy new and different forms of
22 lottery. It's absolutely astounding. It's not the

1 Virginia I grew up in, but then again, the world
2 changes.

3 So I agree with Bob's concern. I am,
4 however, heartened by the fact that as I read the
5 report's recommendations on the items that again, I
6 believe are the most important here -- the prevalence
7 study, the database, the targeting studies and the
8 case studies -- I believe that the report fairly
9 reflects the intention of the subcommittee to
10 encompass in those studies, not just casino gambling
11 but all forms of gambling. And I think that's pretty
12 clear in the text of those sections.

13 CHAIRPERSON JAMES: Commissioner Dobson.

14 COMMISSIONER DOBSON: It's obvious that
15 the statute does require us to look at various forms
16 of gambling and I think we should. But approximately
17 50 percent of all the revenues that come in from
18 gambling are invested, if you will, in casinos. So I
19 think this statement here merely reflects the
20 preponderance of the gambling industry that is related
21 to casino gambling.

22 COMMISSIONER MCCARTHY: I would add, Madam

1 Chair, that this really suggests -- we looked at the
2 volume of dollars from each legal form of gambling and
3 what the projected growth was suggested for those
4 different forms of gambling, and that is what we
5 attempted to see reflected in this.

6 If you'll note, in the database on
7 communities, for instance, we are very specifically
8 going to pick out samples of communities where there
9 is lottery-only, casino-only, and various combinations
10 including other forms of gambling as a basis for
11 comparison and how we get a handle on the
12 ramifications that -- the consequences that flow from
13 each form of gambling.

14 We're not interested proportionately, in
15 gambling that has very limited usage. How much
16 attention we will pay to gambling where they represent
17 one-half of one percent of the volume in America --
18 you know, the volume should suggest how much attention
19 they get. If there's a projection that that one-half
20 of one percent is going to grow into 10 or 15 percent
21 then they will be included in the research that we
22 have. But that's the reasoning behind that.

1 CHAIRPERSON JAMES: Commissioner Dobson.

2 COMMISSIONER DOBSON: Madam Chairman, this
3 comment I hope people will kind of hold over to our
4 discussion of our site visits and where we go, but
5 Commissioner Wilhelm has pointed out in our meetings
6 that perhaps the most predatory form of gambling are
7 the video machine, the poker machines, and things like
8 that that are put in truck stops and other places;
9 that are not major gambling centers that don't for the
10 most part, bring in tourists but suck money out of a
11 local community without giving a whole lot back.

12 And I would hope that in our site visits
13 that there would be some effort to do something other
14 than go to the big, enormous Las Vegas, Atlantic City-
15 type centers in order to examine these other aspects
16 of gambling.

17 COMMISSIONER LANNI: Madam Chair?

18 CHAIRPERSON JAMES: Commissioner Lanni.

19 COMMISSIONER LANNI: I would just hope
20 that Commissioner Dobson would wait until he's reached
21 a conclusion of who's sucking what money from what
22 community without giving anything back, until the

1 research maybe gives a little more clear view of that.

2 COMMISSIONER McCARTHY: He's quoting Mr.
3 Wilhelm in whom we've always found to be a reliable
4 source of information.

5 (Laughter.)

6 COMMISSIONER WILHELM: I'm going to write
7 that down and save that for later.

8 CHAIRPERSON JAMES: Commissioner Leone.

9 COMMISSIONER LEONE: I've been struggling
10 for the last several weeks with the fact that I have
11 some, what I think are quite wonderful ideas for the
12 research agenda, but they are impractical because of
13 the money involved.

14 I think Congress in this case, given the
15 significance of the issue and the paucity of
16 information about a variety of topics, particularly on
17 the economic side, has short-changed the American
18 public by not providing us with the funds we need to
19 do the research that ought to occur here.

20 Now having made my oratory statement I
21 actually have a couple of specific ideas that I
22 thought about as things that are not expensive.

1 They're difficult because the minute you move away
2 from large-scale data gathering and research you enter
3 into areas that to some extent, are more subjective,
4 and I think therefore, the product will be subject to
5 a different kind of interpretation or scrutiny.

6 But I want to make three suggestions that
7 I think are not expensive and that might be useful.
8 The first is, you know, the Act is written and a lot
9 of the discussion about the public sector
10 decisionmaking that has gone on and continues to go
11 on, I think the Act overlooks an important factor in
12 that.

13 I'm not naive. I know there's corruption;
14 I know fundraising and other terrible necessities for
15 people in public life can't help affecting the
16 decisionmaking. But I've tried to think a lot about
17 the changes in the culture and in our politics that
18 have made it politic for states like Virginia and
19 others to be so active in promoting a culture of
20 gambling through lotteries and other things, and to
21 support the introduction of gambling as a way -- to
22 put it neutrally -- to raise more revenue for the

1 government; a way that is often seen as painless.

2 And I think that we might do an
3 interesting survey -- I have some ideas about how this
4 might be done but I leave it to others -- of public
5 officials, past and present. And of the factors that
6 have gone into decisionmaking and of their attitudes
7 towards what they've gotten and what has been produced
8 over time.

9 With a protection to some extent, of -- I
10 mean, these conversations would be public, these
11 results would be made public, but I don't think we
12 necessarily have to attach names to them. It's an
13 idea I got when we talked earlier about developing
14 information on pathological gambling but then not
15 saying, "and Joe Smith is the person we're talking
16 about where this particular happened".

17 I think it's one of the more fascinating -
18 - frankly, I'll indicate a bias in this -- troubling
19 developments in the American public's fear of the last
20 30 years is in the pursuit of revenues; people who are
21 supposed to be thinking in a very complicated mix of
22 public values have generally moved in this direction.

1 I don't know what factors have gone into
2 it, but I think it would be interesting to have a
3 survey of that type, or even to arrange a hearing or
4 set of hearings -- which obviously we'd do under
5 confidentiality -- where we explored this issue with
6 some people. Obviously, in this case, I think past
7 elected officials and others would be better than
8 present, and what they think the consequences are.

9 I think it's a big question because one of
10 the things about gambling that is a fact is that we
11 used to talk -- when the last Commission met, the
12 great interest was in illegal gambling.

13 This Commission is meeting because
14 gambling is legal in so many places, and whatever else
15 has gone into it, this is -- you know, a man from Mars
16 who met one of us who was upset about gambling might
17 say, well gee, you ought to do what we do. You ought
18 to do what we do -- you ought to elect your leaders
19 and then they do what you want them to do.

20 (Laughter.)

21 Well, I feel that's a -- a man from Mars
22 might say that about a great many things that are

1 produced by our public sector. But I think on this
2 one, it's just an idea I leave to serious researchers
3 to explore it with other people. Maybe it's so flawed
4 and the product would be so flawed.

5 I have two other ideas that --

6 COMMISSIONER McCARTHY: Before you leave
7 that --

8 COMMISSIONER LEONE: I just don't think we
9 should not touch this question.

10 COMMISSIONER McCARTHY: No, I think Dr.
11 Reuter wants to make a comment on your point.

12 DR. REUTER: This is very consistent with
13 a comment that Commissioner Wilhelm made.

14 COMMISSIONER McCARTHY: Now you're in
15 trouble.

16 DR. REUTER: In some ways it goes back to
17 the comments that have been already made. You know,
18 why is the Commission here? Something has changed
19 fundamentally, and if the research is only focused on
20 trees then forests don't get described and this is our
21 mission.

22 It adds to our knowledge of what has

1 driven this -- whether it's appropriate as research or
2 for a hearing -- I think it is a decent question. It
3 would not be I think, a major expenditure, and if the
4 Commission thought that that was really important I do
5 think this is a reasonably standard academic kind of
6 activity in which you could find the right public
7 policy academic and a good research assistant and get
8 it done if the Commission wants to do that.

9 I mean, I don't think that answers an
10 important question, but that's just my view.

11 COMMISSIONER LEONE: I have two other
12 thoughts that I think are even cheaper.

13 DR. REUTER: It could be done by a small
14 foundation.

15 COMMISSIONER LEONE: That's right. We
16 have so little time and the resource constraint, but
17 there are two big areas of inquiry that I think the
18 most we can do is collect information about other
19 studies on: one is the economic impact; the other is
20 the regulatory regimes that are in place here, and
21 maybe even in other countries.

22 And I also would like to add, the

1 regulatory regimes -- which I hope is not too
2 threatening a word -- which we use in other areas of
3 risk in the futures markets or rise above it.

4 It seems to me if I were approaching these
5 independent of the Commission and I didn't have a lot
6 of money and I didn't have a lot of time, I would put
7 together panels -- of economists in the one case and
8 probably law school people and regulators -- to talk
9 about what's best in this.

10 What do we know about what works and what
11 doesn't work and what has adverse effects even though
12 it looks real on the surface, on what doesn't? And in
13 the case of the economists, what do we really know
14 about how to approach this?

15 Because among other things I think we want
16 to leave as far as possible, a rather precise research
17 agenda for universities, foundations, the government,
18 others who might want to follow up where we can't
19 answer a question.

20 And I think the economic impact is one of
21 those and I have found that economists are true to at
22 least one principle -- they're market-driven. If

1 there's a lot of research money around something tends
2 to get researched; if not, it tends not to get
3 researched.

4 We are not going to provoke a lot of
5 research on the economic impact of various kinds of
6 gambling because I think it differs depending on what
7 it is with the amount of money we might get, even if
8 we get an additional appropriation. But we might well
9 provoke other people to move in that direction by
10 developing an agenda, and to do that I think we need
11 some expert, outside assistance.

12 And so I think we might think about a
13 panel, whether its -- if that's legally possible or
14 otherwise possible. After listening to the discussion
15 at the last meeting I'm afraid to meet with anybody
16 about this. But I think maybe there's a structure on
17 which we can proceed.

18 So those are my thoughts. I also add --
19 and others have said it but it's true -- the group
20 that has done the most good work for us so far is this
21 Research Committee. So it deserves a lot of credit
22 and people put in a lot of time. As somebody who was

1 invited to come to the meetings and couldn't, I admire
2 your willingness to get together at various airport
3 coffeeshops around the country.

4 COMMISSIONER McCARTHY: Thank you.

5 CHAIRPERSON JAMES: Other -- yes, John.

6 COMMISSIONER WILHELM: On Commissioner
7 Leone's last point I kind of added to my areas of
8 expertise the shape of windowless rooms in the Denver
9 area, in deference to Jim's schedule which has been
10 educational.

11 I wanted to differ slightly perhaps,
12 emphasis at least, with Leo's comment about the fact
13 that resource and time realities being what they are,
14 we'll probably end up, you know, looking at those
15 forms of gambling that are sort of big money, and if
16 one of them is one-half a percent, maybe not.

17 I have a slight difference, at least in
18 emphasis, on that point, and it has to do with the
19 difference between the snapshot in time and
20 trajectory. Because I think if you look at the
21 realities of the expansion of legal forms of gambling,
22 that they are a great deal more complicated than most

1 people appear to think. And they're not necessarily
2 related to the proportion of dollars being legally
3 gambled at a particular snapshot of time.

4 And as an example, if you look at
5 California. Californians, like all other Americans,
6 have apparently been gambling heavily -- both
7 illegally and legally -- for a long time and I presume
8 will continue to do so. It appears to be part of the
9 human condition.

10 But you know, for a while there was -- for
11 a long while -- there was a lot of pari-mutuel horse
12 racing activity in California and then the State in
13 its wisdom decided to get into the lottery sort of as
14 the lottery used to be thought of. You know, once a
15 week you went and bought a ticket, or something like
16 that.

17 And although there have been cardrooms in
18 California for a long time, cardrooms have certainly
19 sort of come into a newer and bigger generation. And
20 then the lottery in California, as in some other
21 places, has decided that it will be a lot more than,
22 you know, a ticket a week or even eight tickets a day,

1 and they've got these machines in bars and so on and
2 so forth.

3 And then you've got a dramatic expansion
4 in tribal casino gambling as well as bingos -- you
5 know, going beyond churches and synagogues and into
6 Indian reservations. So you've got all this stuff,
7 and I think the question of, sort of what drives what
8 and what are the things that work together to fuel the
9 expansion of legalized gambling, is a very complicated
10 question and I think it's a highly dynamic one.

11 If you look at New England, an area where
12 I lived for a long time and know reasonably well, they
13 did the same thing to me they did in Virginia. You
14 know, I used to think -- the State motto in
15 Connecticut is 'The Land of Steady Habits'. But you
16 can't just look at Connecticut; you've got to look at
17 Massachusetts next to it, and Massachusetts has got an
18 extraordinarily aggressive form of lottery.

19 Somebody told me -- and I don't know if
20 this is factual -- that the people of Massachusetts
21 spend more money on the lottery per capita than
22 anybody else. So I think that in looking at the

1 question of, what after all, brought this Commission
2 about, what is it that is fueling the expansion of
3 legal gambling, I think we've got to first of all, not
4 lose sight of the benefits.

5 As a person who represents tens of
6 thousands of workers who work in that industry, the
7 benefits are significant and cannot be ignored. I
8 think that Commissioner Leone's idea for a survey of
9 public officials is a fascinating one, but I think in
10 the end, we will fail if we lose sight of the highly
11 dynamic character of what is driving the expansion of
12 gambling.

13 As opposed to saying, well you know, a
14 bunch of people are proposing casinos -- either
15 because they want to make a lot of money or because
16 they want to have a lot of tax revenue -- that's
17 really so simple as to be really, an irrelevant
18 approach to it, and I wasn't accusing anybody on the
19 Commission of taking that approach.

20 But I think we've got to be very, very
21 mindful, not just of dollar volume and snapshots in
22 time, but of trajectory and of dynamics.

1 COMMISSIONER MCCARTHY: Madam Chair, Mr.

2 Loescher --

3 CHAIRPERSON JAMES: Mr. Loescher.

4 COMMISSIONER LOESCHER: Madam Chair, I
5 don't know how -- you asked, you know, for questions
6 of the presenters, but I have some comments and I
7 don't know if you're willing to take them.

8 CHAIRPERSON JAMES: We're open to take
9 anything that's related to this subject.

10 COMMISSIONER LOESCHER: Madam Chairman,
11 let me just walk through a number of my observations
12 of reading through this paperwork in the full packet,
13 which all the pieces sort of fit together when we come
14 down to writing our report, and data gathering, and
15 the research, and the hearings, and the budget, and
16 all that. And I'd just like to sort of link them
17 together in my thoughts.

18 One is that this business of the ACIR and
19 the relationship and the dollars and whatnot, I have
20 troubled feeling over the ACIR, and I know my friend,
21 Senator Stevens tried to resurrect the ACIR and I'm
22 not sure it's going to work coming through the Gaming

1 Commission, and I'd be willing to go chat with him
2 about it.

3 But I see that we're trying to defer the
4 ACIR in our process, yet it's a statutory thing they're
5 supposed to do with them. I see some reluctance to do
6 business with them. And I read their proposal and
7 it's a proposal and I appreciate the proposal, but I
8 have trouble with the budget, the overhead issues, and
9 the fact that I don't get to see who the
10 subcontractors are -- the employees.

11 It's important to me to know who's doing
12 work for this Commission. And so I perceive that it's
13 not a straightforward relationship, and I urge the
14 commissioners to entertain the discussion about the
15 ACIR.

16 If we're going to bypass them or subvert
17 them or set them aside, let's do it straightforwardly
18 and advise the Congress and the powers that be, that
19 we want to do that, and then the Commission can find
20 another way to take on the work that's in the Charter
21 of the statute through which we're supposed to get
22 assistance with these people.

1 DR. KELLY: Madam Chair?

2 CHAIRPERSON JAMES: Yes.

3 DR. KELLY: Commissioner Loescher, if I
4 could just call your attention to where this is
5 addressed in the document, perhaps that would help
6 with this concern. It's on page 9.

7 COMMISSIONER LOESCHER: I don't know about
8 that. I'm just trying to reflect what I think.

9 DR. KELLY: Okay.

10 COMMISSIONER LOESCHER: The other thing
11 is, the business of the emphasis of the apparent --
12 you guys call it research; I call preparing a report.
13 That's our statutory mandate. And in our Charter
14 which is in our binder, it lays out what the statute
15 says and what we're supposed to be doing and whatnot.

16 And it doesn't de-emphasize one thing over
17 the other. It says, when we get done at the end of
18 the day two year's hence, we're supposed to have a
19 report that covers all these subjects.

20 And so I remind the Commission that maybe
21 we ought to ask that our committee and our executive
22 director and our research people take another look at

1 what we're doing, so that the product that this
2 Commission comes out with covers what the Congress
3 wanted, on behalf of the public.

4 And I believe that all forms of gaming
5 should be reflected in our report, not just casino
6 gaming.

7 The other is, I realize that we have
8 limited dollars and whatnot, and I view the survey as
9 kind of a dubious exercise. And even the presenters
10 in their writing, you know, are kind of curious or
11 concerned about what might come out of it and how it
12 will be viewed.

13 There are different kinds of gaming by
14 State and geographic area, and I'm not sure that by
15 survey, you know, a standardized survey, we're going
16 to cover the differences.

17 The other is the issues of opinion versus
18 fact. I'm wondering if the survey is going to get us
19 closer to the fact. Are we going to get a lot of
20 opinion, and then what kind of opinion are we going to
21 be getting?

22 The other thing about surveys is, what are

1 the questions? I think it's very important that this
2 Commission, if we get involved in the survey, that we
3 look at the questions very carefully and frame them
4 very carefully, because otherwise, I believe a survey
5 is no use.

6 I'm opposed to this survey -- I just don't
7 think it's the right exercise to get information and
8 I'm not sure that it's going to give us the balance
9 for our bucks that we have in limited resource here.

10 The other thing is, I spoke to Dr. Kelly
11 and I haven't had a chance to speak to Mr. Reuter --
12 and I'd like to -- but I kind of start differently
13 than where the committee is going, and maybe not so
14 differently than what the intent of what the executive
15 director and the staff might be.

16 But I think, you know, we start with what
17 is known, and I would like to suggest that we use part
18 of that \$1.7 million that we have budgeted for staff,
19 to bring on staff who can look both externally --
20 meaning in the public resources -- and internally
21 within the Federal, state, and local government
22 resources, to define, what is gambling America.

1 Get the information about what is known,
2 and we put an emphasis over the next, let's say, six
3 to ten months to really get that database gathered,
4 and then you know, first rough draft, put that down as
5 a part of our initial report. If we could take that
6 step then I see the other tools that the Commission
7 has in statute can come into play.

8 I'm just saying, either simultaneously or
9 sequentially, we can add the research, that we can use
10 the hearing process that's allowed to us in the
11 statute, and then we can invite people to supplement
12 the database voluntarily, which we have the ability to
13 do. And then our site visits to fill the gaps of what
14 we know.

15 What I'm trying to say to the committee is
16 that, maybe I'm not reading your report correctly.
17 Maybe the emphasis is not there; maybe the definition
18 of these steps that I'm talking about are not
19 amplified in your paper and approach. But I really
20 believe that this is the way to go about preparing the
21 report -- not the research; the report -- which is our
22 target.

1 CHAIRPERSON JAMES: Could I ask just to
2 stop there for a minute and see if either Dr. Reuter
3 or Dr. Kelly would like to respond to that, and then
4 we'll take up the next point you have.

5 DR. KELLY: If I could, Madam Chair, a
6 couple of points come to mind and then I'm sure Dr.
7 Reuter might want to join me here.

8 There are two of the issues that
9 Commissioner Loescher just raised that I did want to
10 bring to your attention. And we've discussed this and
11 I do understand the validity of the concerns that are
12 being raised.

13 However, on the issue of the ACIR role,
14 I can assure you that neither the Chair,
15 nor the subcommittee, nor we, have any desire to
16 circumvent the legislation. The legislation does say
17 that the ACIR will play a role in one of the portions
18 of the research to be performed.

19 If you look on page 9 of the research
20 agenda, under "Other Topics", it reads: "The
21 Commission must undertake certain descriptive tasks"
22 -- I won't elaborate all of that. And then the

1 footnote states: "Some or all of this area of
2 research may be performed through contracting with the
3 ACIR.

4 So I believe that was the subcommittee's
5 effort to, in fact, recognize the role that the ACIR
6 will play in the final product. However, if you read
7 the document, what the document is saying is that we
8 will first focus on some of these other areas of
9 concern and then come back to the question of
10 identifying precisely what the role of the ACIR would
11 be.

12 So I think it's not that the role of the
13 ACIR has been taken off the table, it's just that it's
14 been put at a second level to come back to once we
15 have a clearer picture of what, in fact, is known.

16 CHAIRPERSON JAMES: Commissioner Bible.

17 COMMISSIONER BIBLE: As it relates to the
18 ACIR, as I read the statute there's a mandate that
19 they be involved in the one activity and that it's
20 permissive beyond that. It's that they may provide
21 assistance in the other activities that are enumerated
22 in the statute, and I believe you captured that in

1 your subcommittee document.

2 DR. REUTER: Could I take on --

3 CHAIRPERSON JAMES: Dr. Reuter.

4 DR. REUTER: -- Commissioner Loescher's
5 two broader comments: one about whether it's
6 appropriate to have a research agenda that doesn't
7 sort of start with a grounding in description of what
8 is. And the second one is, what do we get from a
9 survey?

10 And first of all, I would suggest that
11 there is a timing issue which is, these research
12 activities are going to be difficult to complete even
13 if we start now, and to defer them for six to ten
14 months would basically mean that we would not be able
15 to undertake them.

16 I see them as research in support of the
17 report writing activity itself, and the subcommittee
18 certainly was choosing research activities that were
19 supportive of the report writing that the Commission
20 would have to do. And so, all of the interesting
21 topics like Commissioner Leone's sort of were not
22 included because they weren't really supporting the

1 report writing activity.

2 There are undoubtedly, some descriptive
3 activities of the kind that you have mentioned,
4 Commissioner, and we did not, in writing this
5 document, dwell on them, simply because they are
6 descriptive. They do need to be undertaken -- one
7 seen really as being part of a research agenda which
8 has to be -- that which some major decisions have to
9 be made very early.

10 Secondly, with respect to the survey, the
11 survey -- it's a survey of behavior, not of attitudes.
12 It's not asking about opinions. An effort to
13 acquiring -- what is now a very conventional way --
14 information about individual behaviors. And while
15 this hasn't been done for gambling in recent years,
16 it's done for a whole variety of other things.

17 And survey data, you know, have their
18 limitations, but they certainly -- there's enough good
19 public policy that has rested on survey data about
20 behavior, not merely attitudes; that this seems to be,
21 defensible.

22 And going back to the 1976 survey, the

1 Survey Research Center was able to replicate
2 surprisingly closely, the total expenditures on legal
3 gambling from answers provided in the survey; which is
4 a very important source of validation of the survey
5 data.

6 It certainly has its limits but there
7 simply is no alternative at this stage for obtaining
8 information about gambling behavior. And gambling
9 behavior, you know, isn't the heart of this. Unless
10 we know how people participate in these activities
11 it's very hard to talk about the effect of changing
12 policy and access.

13 COMMISSIONER LOESCHER: Madam Chairman.

14 CHAIRPERSON JAMES: Commissioner Loescher.

15 COMMISSIONER LOESCHER: Just a couple of
16 things. We approved a contract with the National
17 Research Council that deals with this issue --
18 behavior. Is that not so?

19 DR. REUTER: It deals with only one aspect
20 of that behavior -- a very important one -- but it
21 deals with problem and pathological gambling.

22 COMMISSIONER LOESCHER: Okay. So anyway,

1 just to continue, and maybe some of my points will
2 help what you're talking about. The issue of
3 contracting and whatnot, I believe there's a lot of
4 data -- I mean, the state governments, the tribal
5 governments are very sophisticated now in their
6 reporting requirements against authorized gaming in
7 whatever state there is. A lot of data on the
8 economics and the reporting and the types and whatnot.

9 And I really, you know, I really think we
10 ought to take advantage of that. The thing that
11 troubles me, that I'm concerned about, is that there's
12 no scoping for the hard work of preparing the factual
13 basis of what gaming in America is. There's no
14 scoping at this moment in our workplan.

15 And there is one aspect that bothers me
16 about that; is that the issue of what do we do with
17 internal staff of the Commission, or we do contractor
18 work in certain areas. I'm not sure -- and it's a
19 legal question, legal/technical question -- whether
20 we're going to be able to secure information from the
21 various agencies of the government if we do it through
22 a contractor.

1 I think maybe that the internal staff of
2 the Commission is going to have to be the persons that
3 go to the FBI and Treasury and Justice and tribal
4 governments and the regulatory commissions and
5 whatnot, to get this information that may be
6 confidential and proprietary.

7 And to me, it's a question. I think
8 maybe, depending on how you determine it, the best
9 approach and the best way to establish our
10 relationships with these agencies, it may be that our
11 staff is to be beefed up in order to get this
12 information.

13 And I just offer that as a thought,
14 because I don't know, if a consultant comes to a
15 Native American reservation whether they're going to
16 give them the information, but I believe that if a
17 representative of the Commission comes, maybe we could
18 get some cooperation on that.

19 And we can just use that by example but I
20 think it's a concern, and I really would like to see
21 the hard data gathering for the basis of the report
22 get some emphasis here.

1 The other point that I'd like to make is
2 dealing with the budget. We have \$1.7 million -- the
3 way it looks on this budget -- for staff, and you've
4 got a tiny staff and I looked at the resumes and I
5 think they're great. You have a good start, but
6 there's hardly any budget commitment to the staff.

7 And I'd like to know how you're going to
8 use the rest of the \$1.7 million, and give me a
9 workplan -- what's going to happen and who are the
10 people who are going to do it. That's not reflected
11 here as we build the structure of our report and data
12 gathering and research and hearings that we've got to
13 do.

14 And then I agree with the commissioner
15 that we already spent -- what is it -- 550,000 out of
16 the 1.2 million, for --

17 COMMISSIONER DOBSON: It's 620.

18 COMMISSIONER LOESCHER: So 620,000 --
19 about half of that out of the research budget. So
20 again, there is a budgetary question of how you employ
21 these dollars to get the result that's in our Charter,
22 our work Charter. And so I don't see any information

1 as to how we're going to do that.

2 Where is the status of this request to
3 Congress? Did we actually file that, and what is
4 going to happen?

5 COMMISSIONER MCCARTHY: Could I address
6 that, Madam --

7 CHAIRPERSON JAMES: You certainly may.

8 COMMISSIONER LOESCHER: Okay, let me
9 finish my last couple of things here. The issue of
10 Congress. It's apparent to me that we may have to go
11 back and ask Congress a number of questions and see if
12 they can give us some help. I know some people say,
13 ah we don't want an extension of time, but maybe
14 there's a need for an extension of time.

15 Some people say we need another million
16 dollars. I don't know, because I don't have a
17 complete workplan that says we need another million
18 dollars but maybe we do; I don't know. FACA; maybe we
19 can clarify that. Electronic gaming and bankruptcy;
20 maybe we can eliminate that from our charge with the
21 Congress.

22 And then this ACIR question might be a

1 question that we could clarify with the Congress. But
2 I don't have any problem going to the Congress and
3 asking for some remedial, clarifying language for the
4 statute.

5 And then lastly, at the last Commission
6 meeting I had distributed to the Commission and to the
7 staff, a paper from the National Indian Gaming
8 Association, NIGA. I had requested of NIGA as a
9 courtesy, and the question was this: if you were to
10 respond to the Study Commission's Charter under the
11 statute, how would you go about doing that?

12 And as a gesture of good will they
13 responded to me in writing and I distributed their
14 thought to you. And I certainly would like to request
15 that the committee and the executive director and the
16 advisors that we have here, to take that gesture of
17 good will, of their cooperation, and their thought
18 pattern of how to approach a response for the Native
19 American component of our report, and see if we
20 couldn't accomplish what we're trying to accomplish
21 with their good will and to match what you all are
22 trying to do.

1 And I would like to elevate that thought
2 to the committee and to the executive director. And
3 basically, Madam Chairman, that's all I have to say
4 about my perceptions of this process.

5 CHAIRPERSON JAMES: Dr. Kelly.

6 DR. KELLY: Yes, Madam Chair, I would like
7 to offer some thoughts in response, and again, we've
8 been discussing this over the last few hours, if not
9 few days, and these are some complex issues.

10 But let me begin by recognizing I think,
11 one of the things that you're saying, Commission
12 Loescher, is that NIGA and you are willing and eager
13 to help with the work of the Commission and the work
14 of the research component of the Commission. And I
15 know I speak for the Commission when I say we're very
16 appreciative of that, and if it seems that we haven't
17 been, that might be that there's been some
18 miscommunications.

19 But as we discussed earlier, I'd be glad
20 to work one-on-one with whoever you might designate or
21 with yourself, in order to make sure that we
22 communicate clearly on that point. But we welcome

1 your input and your data.

2 And towards that end I would call your
3 attention to again, something that's in the Research
4 agenda; it's on page 7, in the middle of that -- under
5 this third section on the industry -- it's right in
6 the middle of the page.

7 And it's just a quick statement but it's
8 important because it signals the fact that we, the
9 subcommittee and we ourselves, have tried to be
10 sensitive to the research questions that were raised
11 in the NIGA document.

12 Now, if we missed something I do apologize
13 and we would be glad to work on that, but that
14 statement says: "Industry data will be helpful in
15 addressing issues raised by the NIGA concerning" --
16 and it goes on to detail what the issues are. But the
17 point of the matter is that we tried to incorporate
18 those specific research questions that we culled from
19 the NIGA document, and will continue to do so.

20 A second point I wanted to make, if you
21 would look on page 5 of the document -- page 5 of the
22 Research Agenda. At the top of that page I think it's

1 the Research Subcommittee trying to say, I think, what
2 you're saying -- only with different terminology.

3 It reads like this: "Though the vast
4 majority of these data are available from official
5 agencies, the creation of this database is a major
6 research activity because so much local data is not
7 available from a central source".

8 For example, crime report, arrest data,
9 and theory available through jurisdictions from the
10 FBI and others -- it talks about the difficulties of
11 getting this but that we will get this data.

12 So I think that perhaps we're saying
13 something of the same thing with different
14 terminology, and I would like to suggest that maybe
15 one way to address your concern would be to think in
16 terms of the timeline that is outlined just in summary
17 fashion on page 12. And maybe what you're saying is,
18 let's make sure before we jump into secondary
19 research, that we've had time to review what is known.

20 I'm sure that is the intent already, of
21 the subcommittee, but maybe we need to highlight that
22 a little more in order to address your concern. But

1 I'm feeling like there's not that much difference
2 between what you're recommending and what the intent
3 is of this document.

4 COMMISSIONER LANNI: Madam Chair?

5 CHAIRPERSON JAMES: Commissioner Lanni.

6 COMMISSIONER LANNI: I'd like to move that
7 we accept the proposed Research Agenda as submitted by
8 Chairman of the subcommittee, Mr. McCarthy.

9 CHAIRPERSON JAMES: Is there a second?

10 COMMISSIONER McCARTHY: Second.

11 CHAIRPERSON JAMES: So moved and seconded.
12 Any discussion?

13 COMMISSIONER McCARTHY: May I make this
14 closing argument, because I want Mr. Loescher's
15 support. Number 1, we did move early on the National
16 Academy of Science's Synthesis of Existing Literature
17 and Pathological Gambling. That was one of the two
18 areas that was in the language of the enabling
19 statute. It was one subject, as Dr. Reuter pointed
20 out -- it was easier at the time to handle, in my
21 point of view.

22 Connected with this, there is no exclusion

1 of ACIR. I'm not sure where that came from. There
2 are undoubtedly -- there are several members of the
3 Commission that were puzzled by the fact that ACIR
4 went out of existence and then was restored by being
5 linked to this Commission.

6 From my point of view, I've had a series
7 of exchanges with Mr. Griffiths, the executive
8 director. He's given me intelligent comments in how
9 he would undertake analyses of certain issues. But
10 the scope of the research that should be undertaken by
11 this Commission is not limited to the research that
12 was identified in the enabling statute.

13 What's critical here is that we have a
14 responsibility, looking at the totality of gambling in
15 America, to try to define what the research should be.
16 And the four corners of that research aren't limited
17 to what Congress listed, specifically. In my view, we
18 now have before us, at least an outline. The next
19 step is project design and budget estimating -- which
20 you've mentioned a couple of times, quite
21 appropriately.

22 Of course project design and budget

1 estimation has to be brought back to the Commission.
2 This is what I said in our October 8th memo to all
3 commissioners; this is what Mr. Bible referred to
4 about half-an-hour ago that I reinforced; that that's
5 the plan.

6 You're quite right. Knowing what the
7 project design is and knowing what the budget
8 estimates are for these -- the only one we can really
9 come close to estimating now is the National Survey.
10 That's why we're asking for permission to at least
11 take the preliminary steps of trying to develop
12 requests for RFPs; that we begin to undertake that.

13 We're going to have to do work in the next
14 30 to 60 days to come up with more refined estimates
15 of what the budget estimates would be of these other
16 things. That's information you deserve and every
17 other member of the Commission deserves, and that's
18 the next step coming out of the subcommittee on
19 Research, with the help of Drs. Reuter and Kelly.

20 I hope I've addressed that one
21 satisfactorily --

22 COMMISSIONER LOESCHER: Madam Chairman,

1 can you assure the chairman of the committee that he
2 has my vote subject to him at least acknowledging my
3 comments?

4 (Laughter.)

5 CHAIRPERSON JAMES: Having said that, I'll
6 --

7 COMMISSIONER McCARTHY: I have one more
8 thing today. I need the help -- and I'm joined by my
9 two colleagues on the subcommittee on Research --
10 Madam Chair, I need the help of every member of this
11 Commission in whatever we may attempt to do to seek
12 help from the members of Congress to try to get
13 additional funding.

14 I hope we can feel that we have that. I'm
15 thinking of the friendships and the appointing powers
16 and so on; we certainly should be able to get the
17 attention of people in the Senate and the House.
18 After we vote on this, if it has full Commission
19 support, there's only in effect, one week left in
20 which a conference committee is even considering --
21 it's the conference committee on Treasury, State,
22 Commerce, and related agencies.

1 I would, Madam Chair -- I know you've
2 already been paying a lot of attention to this -- I
3 would like to work with you and be able to call the
4 individual members of the Commission and ask their
5 help in contacting the appropriate members of the
6 Senate and the House to try to at least get their
7 attention to this and look at this.

8 We need to formulate a strategy as to how
9 we address the funding for this research that will be
10 undertaken.

11 COMMISSIONER WILHELM: Was that in
12 reference to the million that was referred to?

13 CHAIRPERSON JAMES: Yes.

14 COMMISSIONER McCARTHY: Well -- oh,
15 someone asked a question earlier -- thank you; I had
16 forgotten this. Senator Dan Coats of Indiana -- on
17 his own initiative -- I want to emphasize that; not at
18 the request of any member of this Commission -- on his
19 own initiative spoke apparently, to the leadership on
20 the Senate side dealing with this appropriation
21 measure in conference committee and asked that a
22 million dollars be put in. But he did that on his own

1 initiative.

2 Frankly, had I known that anybody was
3 going to make a suggestion, I would have talked to all
4 of you and said, let's ask for three million. But you
5 know, I don't know what flexibility there is in the
6 circumstances that now exist; I don't know what
7 support there is for the million -- not to mind three
8 million.

9 And I think frankly, when we get the
10 budget estimates refined on the research, we'll have
11 a much stronger position to be able to talk about any
12 additional number. I want to remind everybody that
13 what was given to our predecessor Commission 22 years
14 ago is far more in terms of purchasing power than
15 compared to purchasing power now; far more than what
16 was given to this Commission to do work trying to
17 assess the economic and social consequences of an
18 industry that has grown tenfold since our predecessor
19 Commission looked at this problem.

20 So this is a serious matter and I really
21 am hoping, Madam Chair, coordinating with you, that I,
22 on behalf of the subcommittee and working with the two

1 subcommittee members, can call upon any member of this
2 Commission to try to help in the strategy of this.

3 CHAIRPERSON JAMES: Let me thank
4 Commissioners. It would not be my choice to have to
5 ask you for feedback as quickly as we did for that,
6 but Commissioner McCarthy thought it was important
7 that that letter get up to Capitol Hill expeditiously,
8 and that it would probably carry more weight if it
9 were signed both by the Chair of this Commission and
10 by the Research Subcommittee. And so that letter did
11 go forward and we are following that very closely, and
12 appreciate your support in moving forward.

13 Commissioner Wilhelm.

14 COMMISSIONER WILHELM: As I indicated to
15 you, Kay, when we talked on the phone about this, I
16 was pleased to support this with the understanding
17 that if the million were obtained that it would go to
18 Research and I was compelled to do that out of the
19 discipline imposed by my Research Subcommittee
20 Chairman.

21 But I can't refrain from saying, Leo, that
22 you're one of the tiny band of people on this

1 Commission who could even make that pitch with a
2 straight face since nearly everybody here is always
3 talking about cutting government spending.

4 CHAIRPERSON JAMES: Well, there was no
5 lobbying that needed to be done in terms of how
6 important this issue is and how the resources are
7 needed to research it. And I think there was a pretty
8 strong consensus among commissioners to that end.

9 I think we have a Motion before us and it
10 has been seconded. I'd like to call for the question.
11 All in favor?

12 (Chorus of ayes.)

13 Any opposed?

14 (None.)

15 The Commission has accepted the
16 Subcommittee's Research Report, and just to restate
17 where I believe we are at this point, the subcommittee
18 will now go back as a result of the acceptance of your
19 report, and look at costing out pieces of it,
20 prioritizing, and coming back to some suggestions to
21 the full committee with how we should proceed from
22 here.

1 COMMISSIONER LOESCHER: I want to
2 emphasize one thing, Madam Chair. In dealing with the
3 National Survey, on page 2 we do recommend that the
4 staff begin immediately inquiry into the options for
5 the conduct of such a survey, as well as discussions
6 with other Federal agencies that might be willing to
7 provide funds.

8 Now, this Commission may not have another
9 meeting until January. You'll address that before we
10 leave here today. We may have some appropriate
11 information in a month and I may suggest to you that
12 we have a conference call involving the commissioners
13 so we can get back to them, instead of suggesting a
14 face-to-face Commission meeting with my colleague all
15 the way here from Alaska.

16 So if that's understood -- because we want
17 to get this thing going; we're running out of time
18 doing this research. With that understanding.

19 CHAIRPERSON JAMES: With that
20 understanding. Thank you. I appreciate your hard
21 work and your presentation to the Commission, today.

22 We, at our last meeting, had a

1 presentation from ACIR and asked if they would come
2 back at this meeting and give us an update on where
3 they are in their perspective workplans, and so at
4 this point I'd like to ask Mr. Griffiths if he would
5 come forward.

6 Welcome.

7 MR. GRIFFITHS: I'm glad I came in when I
8 did. I was expecting not to be on until about 1:30.
9 I guess I have to ask a question. You just voted on
10 a Research plan, so exactly what is it that you want
11 from me at this point? I assume everybody has read
12 our proposal. Can I assume that?

13 CHAIRPERSON JAMES: Yes, and we'd like at
14 this point perhaps, if you --

15 MR. GRIFFITHS: Be able to ask some
16 questions?

17 CHAIRPERSON JAMES: -- can walk us through
18 any of that and have commissioners have the
19 opportunity to ask any questions that they may have.

20 COMMISSIONER LOESCHER: May I suggest,
21 Madam Chair --

22 CHAIRPERSON JAMES: Absolutely.

1 COMMISSIONER LOESCHER: May I give a
2 thought that I have? The next step will be that Dr.
3 Reuter with Dr. Kelly, will be talking to you and to
4 others as they start to develop what you just heard us
5 talking about here -- the next phase: project design,
6 budget estimates. Now obviously, you've got something
7 tangible that they can look at.

8 But they don't from any other source on
9 other aspects of the work which are totally outside
10 the scope of the thing that you've been talking about,
11 so they need to be able to get some of those pieces in
12 place to integrate this thing together to see where
13 we're going. And frankly then, to be in a better
14 position to talk to members of Congress as well; see
15 how we get more funding.

16 CHAIRPERSON JAMES: If you have any
17 opening comments, and then we'll open it up for
18 discussion.

19 MR. GRIFFITHS: Well, what I'll do is,
20 I'll simply outline what we did without going through
21 it task by task, and then I would assume that if
22 anyone has questions on a specific task or approach,

1 that I'd be happy to answer those questions.

2 When we wrote the research prospectus we
3 were asked to do it in two parts. One part dealt with
4 task 7.A, which is Section 7 of the Act. Task A which
5 is where we would review and collect laws,
6 regulations, applicable to Federal, state, local
7 government, and Indian tribes, related to gambling.

8 That would also probably include
9 appropriate constitutional provisions as well as -- we
10 recommend anyway -- court decisions, because court
11 decisions have had a great bearing on what state and
12 local government officials have to do at times.

13 The second part then, was to take a look
14 at Section 4, and the tasks under Section 4 which are
15 associated with our Commission in the law. And I was
16 also asked to include task F, which is the one on
17 electronic gambling, because there are fairly
18 important inter-governmental as well as international,
19 implications in that task.

20 So we presented the report in two parts:
21 7.A and then we did it for Section 4. And we divided
22 each of the tasks into two parts. One was the

1 background which we tried to identify the critical
2 issues and explain and discuss the subject matter.
3 And then we had a part on research tasks -- or the
4 research task -- where we tried to provide our
5 objectives, methodology, study considerations, and
6 deliverables.

7 I might mention that, in the first,
8 introductory section of our report, I tried to make
9 the point that on all of the tasks you have to
10 approach Indian gaming a little differently, because
11 the issues, the perspectives, the problems and
12 processes are slightly different in that case. So in
13 every one of the tasks that we address in the report
14 there is a section in there where we try to address
15 the Indian issue as well.

16 In the methodology that we propose on all
17 of the tasks, we do not propose original research.
18 That seemed to be out. There wasn't time, there
19 wasn't money. So we relied rather, on surveys,
20 literature, and electronic searches in consultation
21 with appropriate, national organizations and gambling
22 experts. The surveys of course, would go to state and

1 local governments, appropriate experts, and Indian
2 tribes.

3 The methodology -- I mean, we struggled
4 with this because we realized we had limited time and
5 limited resources. We tried to make in each task, the
6 research manageable. In our first paper that I think
7 we presented with that, when you had a meeting -- your
8 prior meeting -- we asked a lot of questions. We
9 didn't know what we wanted to do by limiting the
10 research; we thought that was something that you would
11 want to be involved with, so we simply asked
12 questions.

13 This time we simply recommended how we
14 would limit the research. For example, the task of
15 collecting all Federal, state and local laws and
16 regulations -- not to mention constitutional
17 provisions and court decisions -- as well as Indian
18 tribal regulations or law, whatever we may find --
19 that would be an enormous task. I mean, that would
20 take a long, long time.

21 And in addition, we were told to
22 "catalogue the results", and by that we assumed that

1 we were talking about a database. So we tried in the
2 methodology, to show you how we would limit the scope
3 of that work to make it manageable and yet still make
4 it effective.

5 The issue on gambling revenues is another
6 example -- or in the second, part 4.B when we talk
7 about economic cost, if we tried to take that from its
8 broadest perspective, the cost would be substantial
9 and the time probably would not be sufficient to do
10 that. And so we tried to show you in that
11 description, how we would limit our definition of
12 costs and economic costs so that the research would be
13 manageable in the timeframe.

14 I also talked with Dr. Kelly about the
15 cooperation we would give to the Commission, the
16 concern being that as we did our research, given the
17 time constraints, that if there wasn't close
18 cooperation and coordination that the delivering of
19 the data may not be sufficiently in time to meet your
20 timeframe.

21 So I promised him without fingers crossed,
22 that we'd be more than happy to provide all of the

1 briefings, all of the interim reports that you would
2 request, so that you would be kept up on the progress
3 of our research.

4 I'll mention a little bit about the
5 budget, as I know it's a sensitive issue. I struggled
6 with this because I know you're between a rock and a
7 hard place as far as your resources go, and I know
8 that there has been concern about the weight of our
9 Commission on that budget, and I sympathize extremely
10 with that. I therefore, worked as much as I could to
11 keep those costs down, and I've probably gone out on
12 a limb in some respects.

13 The overhead I know, is the one issue that
14 you were all concerned about. We can't get rid of the
15 fact that we have some fixed costs; however, we do
16 have some other funds and I believe that we can add to
17 those funds over the next 12 to 14 months.

18 So I went out on a limb and tried to lower
19 the cost of the research by simply promising that you
20 would not be asked to pay for any more than 50 percent
21 of what our true, fixed, overhead costs are. I'll
22 pick up the rest -- I hope -- with the funds that we

1 have and the funds that we hope to bring in.

2 We too, by the way -- you're talking about
3 going to the Congress -- we've been making some
4 inquiries about whether or not we can get our
5 legislation modified so that we can actually pick up
6 some other contractual activity. If we could do that,
7 obviously that would lower the cost even further
8 because then more things would be sharing the overhead
9 than just the one project.

10 We've had a number of people come to us
11 and ask us to actually do other things and we've had
12 to turn them down. So if we can get something in our
13 legislation that says that you can undertake other
14 contractual activity, we would then be able to, I
15 think, offer more for less -- I love that statement.

16 And the budget that we presented to you,
17 which was budget for 7.A and then a budget for the
18 other tasks -- 7.A looks pretty bad because all of our
19 costs are obviously included into one task, including
20 the overhead and all of our staffing costs.

21 If we were asked to undertake other tasks
22 -- 7.A, perhaps two or more tasks under 4 -- then of

1 course we spread those costs out and it doesn't look
2 nearly as high per task. So obviously, the most cost
3 effective approach for us would be to spread the costs
4 across several different tasks.

5 So we have tried to minimize it to the
6 best that I can. I'd be more than happy to answer
7 specific questions about specific tasks.

8 CHAIRPERSON JAMES: Any questions?

9 COMMISSIONER LANNI: I have one, Madam
10 Chair.

11 CHAIRPERSON JAMES: Commissioner Lanni.

12 COMMISSIONER LANNI: Relative to other
13 individuals coming to you or entities coming to you
14 and asking for your taking on additional tasks, are
15 you suggesting that if you were to consider taking on
16 additional tasks that you would come back before this
17 Commission or staff to determine or define what it is
18 you would be asked to do, how much effect that would
19 have on your resources, and for this Commission or the
20 staff to evaluate?

21 MR. GRIFFITHS: Well, yes. Right now we
22 have a very limited staff; we obviously have fixed

1 overhead. Even though we're only asking that you pick
2 up a part of our overhead, still, that part has to be
3 spread across this one Commission. Our staff would
4 all be devoted to this project.

5 If we had other contracts the overhead
6 would then be spread across additional contracts and
7 staff resources could then be also spread across other
8 resources while bringing in some other help.

9 I've run basically, a contract granting
10 organization for over 16 years, and I can tell you
11 that if we were able to bring in more contracts, the
12 costs to this Commission would be less -- for the same
13 amount of work.

14 COMMISSIONER LANNI: Maybe I can restate
15 my question. My question really pertained more to, if
16 you are to take on additional contracts beyond this
17 particular contract -- which I understand at this
18 point is the one that you are mandated -- or we are
19 mandated, relative to you --

20 MR. GRIFFITHS: Yes.

21 COMMISSIONER LANNI: -- my question was,
22 are you going to come before this Commission and

1 staff, its Chairman, to explain what task you've been
2 asked to take on, for this Commission to evaluate, in
3 its opinion, your ability to do that and also fulfill
4 the function that's required here? That was my
5 question.

6 MR. GRIFFITHS: The answer is yes. I
7 think it's a very fair concern on your part.

8 COMMISSIONER LANNI: Thank you.

9 CHAIRPERSON JAMES: I'd like to ask the
10 members of the Research Subcommittee how they would
11 like to proceed at this point. I have a suggestion,
12 but I'd like --

13 COMMISSIONER LOESCHER: I think how we'd
14 like to proceed is what I referred to earlier. Dr.
15 Reuter and Dr. Kelly will now begin to do their work.
16 They're going to be staying in close contact with the
17 three members of the subcommittee. The ACIR, as that
18 work develops, will be brought into our considerations
19 as a part of, you know, our integrated approach to how
20 we do the rest of the research.

21 CHAIRPERSON JAMES: Right. I think in all
22 fairness to ACIR, as quickly as we can, what we need

1 to do is to figure out how that's going to be
2 integrated so that we can get to the contractual phase
3 and get those issues resolved so that they can --

4 COMMISSIONER LOESCHER: Project design is
5 the next critical piece and that's where, when we get
6 further down the road on that, that's how we're able
7 to relate these pieces together, and ACIR could be a
8 part of that.

9 CHAIRPERSON JAMES: Dr. Dobson.

10 COMMISSIONER DOBSON: I will -- I'd like
11 to put on the record why I will oppose the proposal as
12 it's now written. The research contract that's been
13 proposed is \$919,000. We've already committed
14 \$620,000. Those two together make over 1.5 million;
15 we only have 1.22.

16 So we would already be broke for the
17 entire proposal that we just submitted, and will not
18 have produced any original research. We will only
19 have massaged what is already known. And I think that
20 would not be a satisfactory conclusion to this
21 Commission.

22 The ACIR also proposes to rely almost

1 exclusively on outside consultants for its tasks, and
2 so it is primarily just a middle-man, and a very
3 expensive one at that.

4 In regard to the consultants that are
5 proposed to be used, one person who is named
6 specifically by the ACIR is Whittier law professor,
7 Nelson Rose. The Columbia Journalism Review reported
8 in 1994 that for the past three years Rose has been a
9 partner in a plan to develop a string of Indian-owned
10 casinos in Southern California. This is in another
11 document as well.

12 There are eight or ten reasons of this
13 nature why the proposal that's on the table will not
14 be acceptable to me, and I will vote against it.

15 CHAIRPERSON JAMES: Well, we're not asking
16 for a vote on that proposal just yet, but I --

17 COMMISSIONER DOBSON: I understand. I
18 simply wanted to put that on the record.

19 CHAIRPERSON JAMES: Absolutely. And I
20 think it's important for Commissioners who have other
21 objections to express those objections at this point
22 so that as the Research staff begins to work with ACIR

1 they can address those issues. So Dr. Dobson, I think
2 it's entirely appropriate. If there are others, you
3 express them at this time.

4 COMMISSIONER LEONE: I only have a
5 comment. I think Dr. Dobson was actually correct when
6 he opposed the original commitment of \$600,000. I
7 voted for it because I knew time was a factor. But
8 this -- we really -- there has to be harmony between
9 our budget and our commitments.

10 We might want to re-orient the budget to
11 put more money into research. I don't know if that's
12 possible. But I think that you don't have to get into
13 any detail to say that at some point we're going to
14 need a Research proposal which fits within what
15 remains in our budget. And at this point that's
16 \$600,000 not \$900,000.

17 So I think -- I hope we don't get to that
18 point, but I don't think we can do much without coming
19 into harmony on those two pieces of the issue.

20 CHAIRPERSON JAMES: No question.

21 MR. GRIFFITHS: I would appreciate it too,
22 if -- the information that you just mentioned, I did

1 not know. But I would like to know that; it would
2 help me as well.

3 COMMISSIONER DOBSON: I'll be happy to
4 provide that to you. Now -- may I continue --

5 CHAIRPERSON JAMES: Absolutely, Dr.
6 Dobson.

7 COMMISSIONER DOBSON: There very well may
8 be other contractual relationships with ACIR that I
9 could support. What I'm speaking to today is this
10 \$900,000 proposal which does not fit in the budget as
11 I see it.

12 MR. GRIFFITHS: Well, in all fairness, the
13 Chairman did not ask me to submit a proposal for all
14 of those for you to be considered. The 900,000 was if
15 you gave us all the tasks this is what it would cost,
16 but honestly, that's why she had me break it into two
17 parts.

18 If you just did 7.A what would that cost,
19 and if you just -- I think the way they wanted it, but
20 I didn't have the time to develop all those
21 combinations of budget -- was, what if you did 7.A,
22 what if you just did 4.A. what if you just 4.B, what

1 if you did 4.B and 4.A? I mean, the combinations and
2 permutations were rather large and so I tried to --

3 COMMISSIONER DOBSON: It is my -- again,
4 may I?

5 CHAIRPERSON JAMES: Absolutely.

6 COMMISSIONER DOBSON: My understanding in
7 reading the correspondence between you and Dr. Kelly,
8 that he did express some financial concerns and asked
9 for accommodation on some of those items. And your
10 answer to most of those was no. Your response to
11 cutting overhead or doing other things to help us get
12 a total down that we could deal with was, these are
13 reasonable and this is the way -- this is how we have
14 to function.

15 MR. GRIFFITHS: Well, I did submit a
16 couple of different proposals to Dr. Kelly. The last
17 one was after a lot of soul searching. I did tell him
18 that the last one I submitted, if I went any lower it
19 was unrealistic. I would go bankrupt; I couldn't do
20 it. But --

21 COMMISSIONER DOBSON: And if we accept it,
22 we're bankrupt.

1 MR. GRIFFITHS: Well, unless of course,
2 that I could find some other funding, which is another
3 issue. But I don't think if you contracted with the
4 National Research Council or if you contracted with a
5 university, or you contract with anybody, I honestly
6 don't think what we proposed as the final overhead
7 figure is out of line with any other figure you're
8 going to get.

9 In fact -- I won't say it, because I mean,
10 I just -- I know that's it's probably fairly
11 competitive because we're hiding a lot of stuff that
12 we're not charging for, whereas the others may not be
13 quite as generous to hide all of that.

14 CHAIRPERSON JAMES: Just for a point of
15 clarification for the full Commission, in the
16 estimated budgets that were submitted to us by ACIR,
17 919 was for all tasks, and I did ask them to separate
18 it out so that we would have the opportunity -- and
19 you may look at that and see that the lower figure of
20 467,000 is there.

21 What I'm suggesting at this point is that
22 the Research Subcommittee incorporates components of

1 what -- and make a recommendation back to this
2 Commission -- about what components of this, if any,
3 should be included in the overall research scheme and
4 have that as a part of the telephone call or however
5 we get the next step done.

6 Leo, you look confused --

7 COMMISSIONER LOESCHER: No, I've stated
8 exactly that, twice.

9 CHAIRPERSON JAMES: Absolutely. And I
10 want to be sure that that's where we are. Okay, thank
11 you very much. We appreciate your being here today.

12 We look forward to hearing from the
13 Research Subcommittee and we'll facilitate that
14 happening in a way that will accommodate the varied
15 schedules that exist among our Commissioners.

16 We do have a few other small items of
17 business to discuss, and in case the audience hadn't
18 noticed, we sort of made the decision to keep
19 following through and see how much we could get done,
20 and we have continued to work through lunch.

21 With that, if you'll notice under the New
22 Business section of the agenda, we have covered the